

C O N F I D E N T I A L AMMAN 004247

SIPDIS

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TAGS: ENRG PREL IZ JO

SUBJECT: JORDAN SEEKS TO SECURE SUPPLY OF IRAQI OIL

Classified By: Ambassador Edward W. Gnehm for reasons 1.5 (B)&(D).

¶1. (C) During a 9 July meeting, Jordanian FM Marwan Muasher raised with Ambassador the status of a proposed trip to Baghdad by a Jordanian interministerial team. The purpose of the visit would be to follow-up at a technical level on a conversation Industry & Trade Minister Salah al-Bashir had with CPA Advisor Reuben Jeffery during the Dead Sea World Economic Forum meeting, and to discuss arrangements for the commercial supply of Iraqi crude oil to Jordan. The Foreign Ministry will be providing a proposed delegation list to post shortly. Trade Minister al-Bashir, following up on his commitment to Jeffery, has also provided a "non-paper" listing the other issues the delegation wishes to discuss. Post will provide this to CPA and NEA.

¶2. (C) Ambassador informed Muasher that the embassy had not yet received a reply from CPA to the request for meetings in Baghdad, but was continuing to work the issue. Muasher stressed that the delegation wished to travel to Iraq as soon as possible and lock in an oil supply deal before Jordan faced an oil shortage, possibly by the end of July. Muasher explained that Saudi Arabia continued to supply Jordan with the 50,000 bbl/day it had pledged, but nevertheless the GOJ was compelled to draw down its stocks by roughly 40,000 barrels a day to meet domestic consumption requirements.

¶3. (C) While Kuwait had provided oil, the Kuwaiti oil was incompatible with Jordan's refinery and had to be sold to finance the purchase of compatible crude. This had upset some Kuwaiti officials, who stopped crude deliveries to Jordan. Muasher called the Kuwaiti Minister of State for Foreign Affairs, Sheikh Mohammad, who promised to resolve the problem. Muasher added that the United Arab Emirates had delivered only two of its promised payments, further exacerbating the situation.

¶4. (C) Ambassador mentioned that U.S. supplemental assistance was intended to solve just such problems and permit Jordan to purchase the crude it needed on the open market. Muasher agreed, but said that Iraq represented the least expensive source of oil for Jordan, even at market prices (which the GOJ is ready and willing to pay), and that it was only logical for the GOJ to actively pursue the cheapest available option. Hence, the Jordanians wanted to reach an agreement quickly with the CPA to re-establish Iraq as a supplier of crude to Jordan.

¶5. (C) Ambassador cautioned Muasher to be pragmatic in considering the early resumption of Iraqi crude deliveries. The lack of security in Iraq and the ongoing problems in raising production levels were real uncertainties and concerns. As Jeffery had told the Jordanians at the WEF Summit, crude production first would be used to meet domestic Iraqi needs -- then come exports. Muasher said he understood, but reiterated that the GOJ hoped to confirm its requested meetings with the CPA as soon as possible and to negotiate a supply agreement before Iraqi oil production was committed elsewhere.

GNEHM